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SHUT-IN CRUDE OIL CAPACITY

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[REDACTED] 2 May 1975

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MEMORANDUM FOR THE RECORD

SUBJECT: Iran: Shut-In Crude Oil Capacity

Attached is the information requested by Mr. Charles Naas, Department of State. The information was prepared by [REDACTED] and was forwarded to Mr. Naas on 28 April 1975.

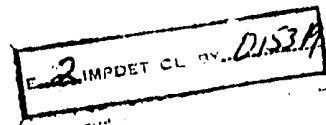
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Iran: Shut-In Crude Oil Capacity

Iran's crude oil productive capacity is estimated at 6.5 million b/d. About 6 million b/d of this capacity is in the area developed by a group of foreign oil companies known as the Consortium. The National Iranian Oil Company (NIOC) is entitled to an amount of this production sufficient to satisfy domestic requirements (an estimated 300,000 b/d) plus a fixed amount for export (450,000 b/d in 1975). The remaining 500,000 b/d of productive capacity is in areas developed jointly by NIOC and several oil companies not forming part of the Consortium. NIOC is entitled to 50% of this production.

Crude oil production during the first quarter of 1975 was 5.6 million b/d or 900,000 b/d less than capacity. The excess capacity was almost entirely in the Consortium areas. About one third of this excess capacity has never been produced. The remaining 600,000 b/d is shut in because of a lack of markets by both the Consortium members and NIOC.

It is not entirely clear why the non-Consortium areas continue to produce at near capacity levels. Most of these areas are worked under joint ventures between NIOC and small foreign oil companies that are net buyers of crude. When faced with a slackening market demand, these producers apparently cut down on purchases from other oil companies in order to maintain their own production.

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During the first quarter NIOC had access to 710,000 b/d of crude oil for export (460,000 b/d -- including 10,000 b/d held over from 1974 -- from the Consortium areas and 250,000 b/d from the other areas). NIOC, however, only lifted about 510,000 b/d (260,000 b/d from the Consortium areas and 250,000 b/d from the other areas), presumably because it was unable to sell more at its asking price. Thus, some 200,000 b/d of excess capacity corresponds to NIOC and 700,000 b/d to the Consortium.

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